

House File 691 - Introduced

HOUSE FILE 691

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 240)

A BILL FOR

1 An Act relating to state and local government finances by
2 increasing the regular program foundation base, establishing
3 property tax levy limits for cities and counties,
4 establishing certain property assessment limitations, and
5 including applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

EDUCATION FINANCE

Section 1. Section 257.1, subsection 2, paragraph b, Code 2011, is amended by striking the paragraph and inserting in lieu thereof the following:

b. (1) The regular program foundation base per pupil is the following:

(a) For the budget year commencing July 1, 2011, the regular program foundation base per pupil is eighty-seven and five-tenths percent of the regular program state cost per pupil.

(b) For the budget year commencing July 1, 2012, the regular program foundation base per pupil is eighty-nine and twenty-eight hundredths percent of the regular program state cost per pupil.

(c) For the budget year commencing July 1, 2013, the regular program foundation base per pupil is ninety-one and six hundredths percent of the regular program state cost per pupil.

(d) For the budget year commencing July 1, 2014, the regular program foundation base per pupil is ninety-two and eighty-four hundredths percent of the regular program state cost per pupil.

(e) For the budget year commencing July 1, 2015, the regular program foundation base per pupil is ninety-four and sixty-two hundredths percent of the regular program state cost per pupil.

(f) For the budget year commencing July 1, 2016, the regular program foundation base per pupil is ninety-six and forty hundredths percent of the regular program state cost per pupil.

(g) For the budget year commencing July 1, 2017, the regular program foundation base per pupil is ninety-eight and eighteen hundredths percent of the regular program state cost per pupil.

(h) For the budget year commencing July 1, 2018, and succeeding budget years, the regular program foundation base per pupil is one hundred percent of the regular program state cost per pupil.

(2) For each budget year, the special education support

1 services foundation base is seventy-nine percent of the special
2 education support services state cost per pupil. The combined
3 foundation base is the sum of the regular program foundation
4 base, the special education support services foundation base,
5 the total teacher salary supplement district cost, the total
6 professional development supplement district cost, the total
7 early intervention supplement district cost, the total area
8 education agency teacher salary supplement district cost,
9 and the total area education agency professional development
10 supplement district cost.

11 DIVISION II

12 PROPERTY ASSESSMENT LIMITATIONS

13 Sec. 2. Section 441.21, subsection 4, Code 2011, is amended
14 to read as follows:

15 4. For valuations established as of January 1, 1979,
16 the percentage of actual value at which agricultural and
17 residential property shall be assessed shall be the quotient
18 of the dividend and divisor as defined in this section. The
19 dividend for each class of property shall be the dividend
20 as determined for each class of property for valuations
21 established as of January 1, 1978, adjusted by the product
22 obtained by multiplying the percentage determined for that
23 year by the amount of any additions or deletions to actual
24 value, excluding those resulting from the revaluation of
25 existing properties, as reported by the assessors on the
26 abstracts of assessment for 1978, plus six percent of the
27 amount so determined. However, if the difference between the
28 dividend so determined for either class of property and the
29 dividend for that class of property for valuations established
30 as of January 1, 1978, adjusted by the product obtained by
31 multiplying the percentage determined for that year by the
32 amount of any additions or deletions to actual value, excluding
33 those resulting from the revaluation of existing properties,
34 as reported by the assessors on the abstracts of assessment
35 for 1978, is less than six percent, the 1979 dividend for the

1 other class of property shall be the dividend as determined for
2 that class of property for valuations established as of January
3 1, 1978, adjusted by the product obtained by multiplying
4 the percentage determined for that year by the amount of
5 any additions or deletions to actual value, excluding those
6 resulting from the revaluation of existing properties, as
7 reported by the assessors on the abstracts of assessment for
8 1978, plus a percentage of the amount so determined which is
9 equal to the percentage by which the dividend as determined
10 for the other class of property for valuations established
11 as of January 1, 1978, adjusted by the product obtained by
12 multiplying the percentage determined for that year by the
13 amount of any additions or deletions to actual value, excluding
14 those resulting from the revaluation of existing properties,
15 as reported by the assessors on the abstracts of assessment
16 for 1978, is increased in arriving at the 1979 dividend for
17 the other class of property. The divisor for each class of
18 property shall be the total actual value of all such property
19 in the state in the preceding year, as reported by the
20 assessors on the abstracts of assessment submitted for 1978,
21 plus the amount of value added to said total actual value by
22 the revaluation of existing properties in 1979 as equalized
23 by the director of revenue pursuant to section 441.49. The
24 director shall utilize information reported on abstracts of
25 assessment submitted pursuant to section 441.45 in determining
26 such percentage. For valuations established as of January 1,
27 1980, and each assessment year thereafter beginning before
28 January 1, 2012, the percentage of actual value as equalized
29 by the director of revenue as provided in section 441.49 at
30 which agricultural and residential property shall be assessed
31 shall be calculated in accordance with the methods provided
32 herein including the limitation of increases in agricultural
33 and residential assessed values to the percentage increase of
34 the other class of property if the other class increases less
35 than the allowable limit adjusted to include the applicable

1 and current values as equalized by the director of revenue,
 2 except that any references to six percent in this subsection
 3 shall be four percent. For valuations established as of
 4 January 1, 2012, and each assessment year thereafter, the
 5 percentage of actual value as equalized by the director of
 6 revenue as provided in section 441.49 at which agricultural
 7 and residential property shall be assessed shall be calculated
 8 in accordance with the methods provided herein including
 9 the limitation of increases in agricultural and residential
 10 assessed values to the percentage increase of the other
 11 class of property if the other class increases less than the
 12 allowable limit adjusted to include the applicable and current
 13 values as equalized by the director of revenue, except that
 14 any references to six percent in this subsection shall be two
 15 percent.

16 Sec. 3. Section 441.21, subsection 5, Code 2011, is amended
 17 to read as follows:

18 5. a. For valuations established as of January 1, 1979,
 19 commercial property and industrial property, excluding
 20 properties referred to in section 427A.1, subsection 8, shall
 21 be assessed as a percentage of the actual value of each class
 22 of property. The percentage shall be determined for each
 23 class of property by the director of revenue for the state in
 24 accordance with the provisions of this section. For valuations
 25 established as of January 1, 1979, the percentage shall be
 26 the quotient of the dividend and divisor as defined in this
 27 section. The dividend for each class of property shall be the
 28 total actual valuation for each class of property established
 29 for 1978, plus six percent of the amount so determined. The
 30 divisor for each class of property shall be the valuation
 31 for each class of property established for 1978, as reported
 32 by the assessors on the abstracts of assessment for 1978,
 33 plus the amount of value added to the total actual value by
 34 the revaluation of existing properties in 1979 as equalized
 35 by the director of revenue pursuant to section 441.49. For

1 valuations established as of January 1, 1979, property valued
2 by the department of revenue pursuant to chapters 428, 433,
3 437, and 438 shall be considered as one class of property and
4 shall be assessed as a percentage of its actual value. The
5 percentage shall be determined by the director of revenue in
6 accordance with the provisions of this section. For valuations
7 established as of January 1, 1979, the percentage shall be
8 the quotient of the dividend and divisor as defined in this
9 section. The dividend shall be the total actual valuation
10 established for 1978 by the department of revenue, plus ten
11 percent of the amount so determined. The divisor for property
12 valued by the department of revenue pursuant to chapters 428,
13 433, 437, and 438 shall be the valuation established for 1978,
14 plus the amount of value added to the total actual value by
15 the revaluation of the property by the department of revenue
16 as of January 1, 1979. ~~For valuations established as of~~
17 ~~January 1, 1980, commercial property and industrial property,~~
18 ~~excluding properties referred to in section 427A.1, subsection~~
19 ~~8, shall be assessed at a percentage of the actual value of~~
20 ~~each class of property. The percentage shall be determined~~
21 ~~for each class of property by the director of revenue for the~~
22 ~~state in accordance with the provisions of this section. For~~
23 ~~valuations established as of January 1, 1980, the percentage~~
24 ~~shall be the quotient of the dividend and divisor as defined in~~
25 ~~this section. The dividend for each class of property shall~~
26 ~~be the dividend as determined for each class of property for~~
27 ~~valuations established as of January 1, 1979, adjusted by the~~
28 ~~product obtained by multiplying the percentage determined~~
29 ~~for that year by the amount of any additions or deletions to~~
30 ~~actual value, excluding those resulting from the revaluation~~
31 ~~of existing properties, as reported by the assessors on the~~
32 ~~abstracts of assessment for 1979, plus four percent of the~~
33 ~~amount so determined. The divisor for each class of property~~
34 ~~shall be the total actual value of all such property in 1979,~~
35 ~~as equalized by the director of revenue pursuant to section~~

1 ~~441.49, plus the amount of value added to the total actual~~
2 ~~value by the revaluation of existing properties in 1980. The~~
3 ~~director shall utilize information reported on the abstracts of~~
4 ~~assessment submitted pursuant to section 441.45 in determining~~
5 ~~such percentage.~~ For valuations established as of January 1,
6 1980, property valued by the department of revenue pursuant
7 to chapters 428, 433, 437, and 438 shall be assessed at a
8 percentage of its actual value. The percentage shall be
9 determined by the director of revenue in accordance with the
10 provisions of this section. For valuations established as of
11 January 1, 1980, the percentage shall be the quotient of the
12 dividend and divisor as defined in this section. The dividend
13 shall be the total actual valuation established for 1979 by
14 the department of revenue, plus eight percent of the amount so
15 determined. The divisor for property valued by the department
16 of revenue pursuant to chapters 428, 433, 437, and 438 shall be
17 the valuation established for 1979, plus the amount of value
18 added to the total actual value by the revaluation of the
19 property by the department of revenue as of January 1, 1980.
20 ~~For valuations established as of January 1, 1981, and each~~
21 ~~year thereafter, the percentage of actual value as equalized~~
22 ~~by the director of revenue as provided in section 441.49 at~~
23 ~~which commercial property and industrial property, excluding~~
24 ~~properties referred to in section 427A.1, subsection 8, shall~~
25 ~~be assessed shall be calculated in accordance with the methods~~
26 ~~provided herein, except that any references to six percent~~
27 ~~in this subsection shall be four percent.~~ For valuations
28 established as of January 1, 1981, and each year thereafter,
29 the percentage of actual value at which property valued by
30 the department of revenue pursuant to chapters 428, 433, 437,
31 and 438 shall be assessed shall be calculated in accordance
32 with the methods provided herein, except that any references
33 to ten percent in this subsection shall be eight percent.
34 Beginning with valuations established as of January 1, 1979,
35 and each year thereafter, property valued by the department of

1 revenue pursuant to chapter 434 shall also be assessed at a
2 percentage of its actual value which percentage shall be equal
3 to the percentage determined by the director of revenue for
4 ~~commercial property, industrial property, or property valued by~~
5 the department of revenue pursuant to chapters 428, 433, 437,
6 and 438, ~~whichever is lowest.~~

7 b. For valuations established on or after January 1, 2012,
8 commercial property, excluding properties referred to in
9 section 427A.1, subsection 8, shall be assessed as a percentage
10 of the actual value, as determined in this paragraph.

11 (1) For valuations established for the assessment year
12 beginning January 1, 2012, the percentage of actual value as
13 equalized by the director of revenue as provided in section
14 441.49 at which commercial property shall be assessed shall be
15 ninety-two percent.

16 (2) For valuations established for the assessment year
17 beginning January 1, 2013, the percentage of actual value as
18 equalized by the director of revenue as provided in section
19 441.49 at which commercial property shall be assessed shall be
20 eighty-four percent.

21 (3) For valuations established for the assessment year
22 beginning January 1, 2014, the percentage of actual value as
23 equalized by the director of revenue as provided in section
24 441.49 at which commercial property shall be assessed shall be
25 seventy-six percent.

26 (4) For valuations established for the assessment year
27 beginning January 1, 2015, the percentage of actual value as
28 equalized by the director of revenue as provided in section
29 441.49 at which commercial property shall be assessed shall be
30 sixty-eight percent.

31 (5) For valuations established for the assessment year
32 beginning January 1, 2016, and each assessment year thereafter,
33 the percentage of actual value as equalized by the director
34 of revenue as provided in section 441.49 at which commercial
35 property shall be assessed shall be sixty percent.

1 c. For valuations established on or after January 1, 2012,
2 industrial property, excluding properties referred to in
3 section 427A.1, subsection 8, shall be assessed as a percentage
4 of the actual value, as determined in this paragraph.

5 (1) For valuations established for the assessment year
6 beginning January 1, 2012, the percentage of actual value as
7 equalized by the director of revenue as provided in section
8 441.49 at which industrial property shall be assessed shall be
9 ninety-two percent.

10 (2) For valuations established for the assessment year
11 beginning January 1, 2013, the percentage of actual value as
12 equalized by the director of revenue as provided in section
13 441.49 at which industrial property shall be assessed shall be
14 eighty-four percent.

15 (3) For valuations established for the assessment year
16 beginning January 1, 2014, the percentage of actual value as
17 equalized by the director of revenue as provided in section
18 441.49 at which industrial property shall be assessed shall be
19 seventy-six percent.

20 (4) For valuations established for the assessment year
21 beginning January 1, 2015, the percentage of actual value as
22 equalized by the director of revenue as provided in section
23 441.49 at which industrial property shall be assessed shall be
24 sixty-eight percent.

25 (5) For valuations established for the assessment year
26 beginning January 1, 2016, and each assessment year thereafter,
27 the percentage of actual value as equalized by the director
28 of revenue as provided in section 441.49 at which industrial
29 property shall be assessed shall be sixty percent.

30 Sec. 4. NEW SECTION. 441.21A Legislative intent.

31 1. It is the intent of the general assembly that
32 appropriations be made annually to reimburse local taxing
33 authorities in this state for reductions in property tax
34 collections on commercial and industrial property as a result
35 of the assessment limitations on such property established

1 under section 441.21, subsection 5, paragraphs "b" and "c", in
2 the following amounts:

3 a. For the fiscal year beginning July 1, 2013, fifty million
4 dollars.

5 b. For the fiscal year beginning July 1, 2014, one hundred
6 million dollars.

7 c. For the fiscal year beginning July 1, 2015, one hundred
8 fifty million dollars.

9 d. For the fiscal year beginning July 1, 2016, two hundred
10 million dollars.

11 e. For the fiscal year beginning July 1, 2017, and each
12 fiscal year thereafter, two hundred fifty million dollars.

13 2. The committee on ways and means of the senate and the
14 committee on ways and means of the house of representatives
15 shall each conduct an annual review of the implementation
16 and fiscal impact of the commercial and industrial property
17 assessment limitations established under section 441.21,
18 subsection 5, paragraphs "b" and "c", on local taxing
19 authorities in this state.

20 Sec. 5. SAVINGS PROVISION. This division of this Act,
21 pursuant to section 4.13, does not affect the operation of,
22 or prohibit the application of, prior provisions of section
23 441.21, or rules adopted under chapter 17A to administer prior
24 provisions of section 441.21, for assessment years beginning
25 before January 1, 2012, and for duties, powers, protests,
26 appeals, proceedings, actions, or remedies attributable to an
27 assessment year beginning before January 1, 2012.

28 Sec. 6. APPLICABILITY. This division of this Act applies
29 to property tax assessment years beginning on or after January
30 1, 2012.

31 DIVISION III

32 COUNTY AND CITY BUDGET LIMITATION

33 Sec. 7. Section 23A.2, subsection 10, paragraph h, Code
34 2011, is amended to read as follows:

35 h. The performance of an activity listed in section 331.424,

1 Code 2011, as a service for which a supplemental levy county
2 may be certified include in its budget.

3 Sec. 8. Section 28M.5, subsection 2, Code 2011, is amended
4 to read as follows:

5 2. If a regional transit district budget allocates
6 revenue responsibilities to the board of supervisors of a
7 participating county, the amount of the regional transit
8 district levy that is the responsibility of the participating
9 county shall be deducted from the maximum ~~rates~~ amount of taxes
10 authorized to be levied by the county pursuant to section
11 331.423, ~~subsections 1 and 2~~ subsection 3, paragraphs "b"
12 and "c", as applicable, unless the county meets its revenue
13 responsibilities as allocated in the budget from other
14 available revenue sources. However, for a regional transit
15 district that includes a county with a population of less than
16 three hundred thousand, the amount of the regional transit
17 district levy that is the responsibility of such participating
18 county shall be deducted from the maximum ~~rate~~ amount of taxes
19 authorized to be levied by the county pursuant to section
20 331.423, subsection ~~±~~ 3, paragraph "b".

21 Sec. 9. Section 123.38, subsection 2, Code 2011, is amended
22 to read as follows:

23 2. Any licensee or permittee, or the licensee's or
24 permittee's executor or administrator, or any person duly
25 appointed by the court to take charge of and administer the
26 property or assets of the licensee or permittee for the benefit
27 of the licensee's or permittee's creditors, may voluntarily
28 surrender a license or permit to the division. When a license
29 or permit is surrendered the division shall notify the local
30 authority, and the division or the local authority shall
31 refund to the person surrendering the license or permit, a
32 proportionate amount of the fee received by the division or
33 the local authority for the license or permit as follows: if
34 a license or permit is surrendered during the first three
35 months of the period for which it was issued, the refund shall

1 be three-fourths of the amount of the fee; if surrendered
 2 more than three months but not more than six months after
 3 issuance, the refund shall be one-half of the amount of the
 4 fee; if surrendered more than six months but not more than
 5 nine months after issuance, the refund shall be one-fourth of
 6 the amount of the fee. No refund shall be made, however, for
 7 any special liquor permit, nor for a liquor control license,
 8 wine permit, or beer permit surrendered more than nine months
 9 after issuance. For purposes of this subsection, any portion
 10 of license or permit fees used for the purposes authorized in
 11 section 331.424, subsection 1, paragraph "a", subparagraphs
 12 (1) and (2), Code 2011, and in section 331.424A, shall not be
 13 deemed received either by the division or by a local authority.
 14 No refund shall be made to any licensee or permittee, upon the
 15 surrender of the license or permit, if there is at the time
 16 of surrender, a complaint filed with the division or local
 17 authority, charging the licensee or permittee with a violation
 18 of this chapter. If upon a hearing on a complaint the license
 19 or permit is not revoked or suspended, then the licensee or
 20 permittee is eligible, upon surrender of the license or permit,
 21 to receive a refund as provided in this section; but if the
 22 license or permit is revoked or suspended upon hearing the
 23 licensee or permittee is not eligible for the refund of any
 24 portion of the license or permit fee.

25 Sec. 10. Section 218.99, Code 2011, is amended to read as
 26 follows:

27 **218.99 Counties to be notified of patients' personal**
 28 **accounts.**

29 The administrator in control of a state institution shall
 30 direct the business manager of each institution under the
 31 administrator's jurisdiction ~~which is mentioned in section~~
 32 ~~331.424, subsection 1, paragraph "a", subparagraphs (1)~~
 33 ~~and (2), and~~ for which services are paid under section
 34 331.424A, to quarterly inform the county of legal settlement's
 35 entity designated to perform the county's central point of

1 coordination process of any patient or resident who has an
2 amount in excess of two hundred dollars on account in the
3 patients' personal deposit fund and the amount on deposit. The
4 administrators shall direct the business manager to further
5 notify the entity designated to perform the county's central
6 point of coordination process at least fifteen days before the
7 release of funds in excess of two hundred dollars or upon the
8 death of the patient or resident. If the patient or resident
9 has no county of legal settlement, notice shall be made to the
10 director of human services and the administrator in control of
11 the institution involved.

12 Sec. 11. Section 331.263, subsection 2, Code 2011, is
13 amended to read as follows:

14 2. The governing body of the community commonwealth
15 shall have the authority to levy county taxes and shall
16 have the authority to levy city taxes to the extent the
17 city tax levy authority is transferred by the charter to
18 the community commonwealth. A city participating in the
19 community commonwealth shall transfer a portion of the
20 city's tax levy authorized under section 384.1 or 384.12,
21 whichever is applicable, to the governing body of the community
22 commonwealth. The maximum ~~rates~~ amount of taxes authorized to
23 be levied under ~~sections~~ section 384.1 and the maximum amount
24 of taxes authorized to be levied under section 384.12 by a city
25 participating in the community commonwealth shall be reduced
26 by an amount equal to the rates of the same or similar taxes
27 levied in the city by the governing body of the community
28 commonwealth.

29 Sec. 12. Section 331.301, subsection 12, Code 2011, is
30 amended to read as follows:

31 12. The board of supervisors may credit funds to a reserve
32 for the purposes authorized by subsection 11 of this section;
33 ~~section 331.424, subsection 1, paragraph "a", subparagraph~~
34 ~~(6);~~ and section 331.441, subsection 2, paragraph "b". Moneys
35 credited to the reserve, and interest earned on such moneys,

1 shall remain in the reserve until expended for purposes
2 authorized by subsection 11 of this section; ~~section 331.424,~~
3 ~~subsection 1, paragraph "a", subparagraph (6);~~ or section
4 331.441, subsection 2, paragraph "b".

5 Sec. 13. Section 331.421, subsections 1 and 10, Code 2011,
6 are amended by striking the subsections.

7 Sec. 14. Section 331.421, Code 2011, is amended by adding
8 the following new subsection:

9 NEW SUBSECTION. 7A. "*Item*" means a budgeted expenditure,
10 appropriation, or cash reserve from a fund for a service area,
11 program, program element, or purpose.

12 Sec. 15. Section 331.423, Code 2011, is amended by striking
13 the section and inserting in lieu thereof the following:

14 **331.423 Property tax dollars — maximums.**

15 1. Annually, the board shall determine separate property
16 tax levy limits to pay for general county services and rural
17 county services in accordance with this section. The property
18 tax levies separately certified for general county services and
19 rural county services under section 331.434 shall not raise
20 property tax dollars that exceed the amount determined under
21 this section.

22 2. For purposes of this section and section 331.423B, unless
23 the context otherwise requires:

24 a. "*Annual growth factor*" means an index, expressed as
25 a percentage, determined by the department of management by
26 January 1 of the calendar year in which the budget year begins.
27 In determining the annual growth factor, the department shall
28 calculate the average of the preceding twelve-month percentage
29 change, which shall be computed on a monthly basis, in the
30 midwest consumer price index. In no case, however, shall the
31 annual growth factor exceed four percent.

32 b. "*Boundary adjustment*" means annexation, severance,
33 incorporation, or discontinuance as those terms are defined in
34 section 368.1.

35 c. "*Budget year*" is the fiscal year beginning during the

1 calendar year in which a budget is certified.

2 *d. "Current fiscal year"* is the fiscal year ending during
3 the calendar year in which a budget is certified.

4 *e. "Net new valuation taxes"* means the amount of property
5 tax dollars equal to the current fiscal year's levy rate in
6 the county for general county services or for rural county
7 services, as applicable, multiplied by the increase from the
8 current fiscal year to the budget year in taxable valuation due
9 to the following:

10 (1) Net new construction, excluding all incremental
11 valuation that is released in any one year from an urban
12 renewal area for which taxes were being divided under section
13 403.19 if the property for the valuation being released remains
14 part of the urban renewal area.

15 (2) Additions or improvements to existing structures.

16 (3) Remodeling of existing structures for which a building
17 permit is required.

18 (4) Net boundary adjustment.

19 (5) A municipality no longer dividing tax revenues in
20 an urban renewal area as provided in section 403.19, to the
21 extent that the incremental valuation released is due to new
22 construction or revaluation on property newly constructed,
23 additions or improvements to existing property, net boundary
24 adjustment, or expiration of tax abatements, all occurring
25 after the division of revenue begins.

26 (6) That portion of taxable property located in an urban
27 revitalization area on which an exemption was allowed and such
28 exemption has expired.

29 3. *a.* For the fiscal year beginning July 1, 2012, and
30 subsequent fiscal years, the maximum amount of property tax
31 dollars which may be certified for levy by a county for general
32 county services and rural county services shall be the maximum
33 property tax dollars calculated under paragraphs "*b*" and "*c*",
34 respectively.

35 *b.* The maximum property tax dollars that may be levied for

1 general county services is an amount equal to the sum of the
2 following:

3 (1) The annual growth factor times the current fiscal year's
4 maximum property tax dollars for general county services.

5 (2) The amount of net new valuation taxes in the county.

6 c. The maximum property tax dollars that may be levied for
7 rural county services is an amount equal to the sum of the
8 following:

9 (1) The annual growth factor times the current fiscal year's
10 maximum property tax dollars for rural county services.

11 (2) The amount of net new valuation taxes in the
12 unincorporated area of the county.

13 4. a. For purposes of calculating maximum property tax
14 dollars for general county services for the fiscal year
15 beginning July 1, 2012, only, the term "*current fiscal year's*
16 *maximum property tax dollars*" shall mean the total amount of
17 property tax dollars certified by the county for general county
18 services for the fiscal year beginning July 1, 2011.

19 b. For purposes of calculating maximum property tax dollars
20 for rural county services for the fiscal year beginning July
21 1, 2012, only, the term "*current fiscal year's maximum property*
22 *tax dollars*" shall mean the total amount of property tax dollars
23 certified by the county for rural county services for the
24 fiscal year beginning July 1, 2011.

25 5. Property taxes certified for deposit in the mental
26 health, mental retardation, and developmental disabilities
27 services fund in section 331.424A, the emergency services fund
28 in section 331.424C, the debt service fund in section 331.430,
29 any capital projects fund established by the county for deposit
30 of bond, loan, or note proceeds, and any temporary increase
31 approved pursuant to section 331.424, are not included in the
32 maximum amount of property tax dollars that may be certified
33 for a budget year under subsection 3.

34 6. The department of management, in consultation with the
35 county finance committee, shall adopt rules to administer this

1 section. The department shall prescribe forms to be used by
2 counties when making calculations required by this section.

3 Sec. 16. NEW SECTION. 331.423B Ending fund balance.

4 1. a. Budgeted ending fund balances on a cash basis for
5 a budget year in excess of twenty-five percent of budgeted
6 expenditures in either the general fund or rural services
7 fund for that budget year shall be explicitly reserved or
8 designated for a specific purpose and specifically described
9 in the certified budget. The description shall include the
10 projected date that the expenditures will be appropriated for
11 the specific purpose.

12 b. A county is encouraged, but not required, to reduce
13 budgeted, unreserved, or undesignated ending fund balances for
14 the budget year to an amount equal to approximately twenty-five
15 percent of budgeted expenditures in the general fund and
16 rural services fund for that budget year unless a decision is
17 certified by the state appeal board ordering a reduction in the
18 ending fund balance of any of those funds.

19 c. In a protest to the county budget under section 331.436,
20 the county shall have the burden of proving that the budgeted
21 balances in excess of twenty-five percent are reasonably likely
22 to be appropriated for the explicitly reserved or designated
23 specific purpose by the date identified in the certified
24 budget. The excess budgeted balance for the specific purpose
25 shall be considered an increase in an item in the budget for
26 purposes of section 24.28.

27 2. a. For a county that has, as of June 30, 2011, reduced
28 its actual ending fund balance to less than twenty-five
29 percent of actual expenditures on a cash basis, additional
30 property taxes may be computed and levied as provided in this
31 subsection. The additional property tax levy amount is an
32 amount not to exceed twenty-five percent of actual expenditures
33 from the general fund and rural services fund for the fiscal
34 year beginning July 1, 2010, minus the combined ending fund
35 balances for those funds for that year.

1 *b.* The amount of the additional property taxes shall be
 2 apportioned between the general fund and the rural services
 3 fund. However, the amount apportioned for general county
 4 services and for rural county services shall not exceed for
 5 each fund twenty-five percent of actual expenditures for the
 6 fiscal year beginning July 1, 2010.

7 *c.* All or a portion of additional property tax dollars
 8 may be levied for the purpose of increasing cash reserves
 9 for general county services and rural county services in the
 10 budget year. The additional property tax dollars authorized
 11 under this subsection but not levied may be carried forward as
 12 unused ending fund balance taxing authority until and for the
 13 fiscal year beginning July 1, 2017. The amount carried forward
 14 shall not exceed twenty-five percent of the maximum amount of
 15 property tax dollars available in the current fiscal year.
 16 Additionally, property taxes that are levied as unused ending
 17 fund balance taxing authority under this subsection may be the
 18 subject of a protest under section 331.436, and the amount
 19 will be considered an increase in an item in the budget for
 20 purposes of section 24.28. The amount of additional property
 21 taxes levied under this subsection shall not be included in the
 22 computation of the maximum amount of property tax dollars which
 23 may be certified and levied under section 331.423.

24 Sec. 17. Section 331.424, Code 2011, is amended by striking
 25 the section and inserting in lieu thereof the following:

26 **331.424 Authority to levy beyond maximum property tax**
 27 **dollars.**

28 1. The board may certify additions to the maximum amount
 29 of property tax dollars to be levied for a period of time not
 30 to exceed two years if the proposition has been submitted at a
 31 special election and received a favorable majority of the votes
 32 cast on the proposition.

33 2. The special election is subject to the following:

34 *a.* The board must give at least thirty-two days' notice to
 35 the county commissioner of elections that the special election

1 is to be held.

2 *b.* The special election shall be conducted by the county
3 commissioner of elections in accordance with law.

4 *c.* The proposition to be submitted shall be substantially
5 in the following form:

6 Vote "yes" or "no" on the following: Shall the county of
7 _____ levy for an additional \$_____ each year for ____ years
8 beginning July 1, _____, in excess of the statutory limits
9 otherwise applicable for the (general county services or rural
10 services) fund?

11 *d.* The canvass shall be held beginning at 1:00 p.m. on
12 the second day which is not a holiday following the special
13 election.

14 *e.* Notice of the special election shall be published at
15 least once in a newspaper as specified in section 331.305 prior
16 to the date of the special election. The notice shall appear
17 as early as practicable after the board has voted to submit
18 a proposition to the voters to levy additional property tax
19 dollars.

20 3. Registered voters in the county may vote on the
21 proposition to increase property taxes for the general fund
22 in excess of the statutory limit. Registered voters residing
23 outside the corporate limits of a city within the county may
24 vote on the proposition to increase property taxes for the
25 rural services fund in excess of the statutory limit.

26 4. The amount of additional property tax dollars certified
27 under this section shall not be included in the computation
28 of the maximum amount of property tax dollars which may be
29 certified and levied under section 331.423.

30 Sec. 18. Section 331.424A, subsection 4, Code 2011, is
31 amended to read as follows:

32 4. For the fiscal year beginning July 1, 1996, and for each
33 subsequent fiscal year, the county shall certify a levy for
34 payment of services. For each fiscal year, county revenues
35 from taxes imposed by the county credited to the services fund

1 shall not exceed an amount equal to the amount of base year
 2 expenditures for services as defined in section 331.438, less
 3 the amount of property tax relief to be received pursuant to
 4 section 426B.2, in the fiscal year for which the budget is
 5 certified. The county auditor and the board of supervisors
 6 shall reduce the amount of the levy certified for the services
 7 fund by the amount of property tax relief to be received. A
 8 levy certified under this section is not subject to ~~the appeal~~
 9 ~~provisions of section 331.426 or to any other provision in law~~
 10 authorizing a county to exceed, increase, or appeal a property
 11 tax levy limit.

12 Sec. 19. Section 331.427, subsection 3, paragraph 1, Code
 13 2011, is amended to read as follows:

14 1. Services listed in section 331.424, subsection 1, Code
 15 2011, and section 331.554.

16 Sec. 20. Section 331.428, subsection 2, paragraph d, Code
 17 2011, is amended to read as follows:

18 d. Services listed under section 331.424, subsection 2, Code
 19 2011.

20 Sec. 21. Section 373.10, Code 2011, is amended to read as
 21 follows:

22 **373.10 Taxing authority.**

23 The metropolitan council shall have the authority to
 24 levy city taxes to the extent the city tax levy authority
 25 is transferred by the charter to the metropolitan council.
 26 A member city shall transfer a portion of the city's tax
 27 levy authorized under section 384.1 or 384.12, whichever is
 28 applicable, to the metropolitan council. The maximum ~~rates~~
 29 amount of taxes authorized to be levied under ~~sections~~ section
 30 384.1 and the taxes authorized to be levied under section
 31 384.12 by a member city shall be reduced by an amount equal to
 32 the rates of the same or similar taxes levied in the city by the
 33 metropolitan council.

34 Sec. 22. Section 384.1, Code 2011, is amended by striking
 35 the section and inserting in lieu thereof the following:

1 **384.1 Property tax dollars — maximums.**

2 1. A city shall certify taxes to be levied by the city
3 on all taxable property within the city limits, for all city
4 government purposes. Annually, the city council may certify
5 basic levies for city government purposes, subject to the
6 limitation on property tax dollars provided in this section.

7 2. For purposes of this section and section 384.1B, unless
8 the context otherwise requires:

9 *a. "Annual growth factor"* means an index, expressed as
10 a percentage, determined by the department of management by
11 January 1 of the calendar year in which the budget year begins.
12 In determining the annual growth factor, the department shall
13 calculate the average of the preceding twelve-month percentage
14 change, which shall be computed on a monthly basis, in the
15 midwest consumer price index. In no case, however, shall the
16 annual growth factor exceed four percent.

17 *b. "Boundary adjustment"* means annexation, severance,
18 incorporation, or discontinuance as those terms are defined in
19 section 368.1.

20 *c. "Budget year"* is the fiscal year beginning during the
21 calendar year in which a budget is certified.

22 *d. "Current fiscal year"* is the fiscal year ending during
23 the calendar year in which a budget is certified.

24 *e. "Net new valuation taxes"* means the amount of property
25 tax dollars equal to the current fiscal year's levy rate in the
26 city for the general fund multiplied by the increase from the
27 current fiscal year to the budget year in taxable valuation due
28 to the following:

29 (1) Net new construction, excluding all incremental
30 valuation that is released in any one year from an urban
31 renewal area for which taxes were being divided under section
32 403.19 if the property for the valuation being released remains
33 part of the urban renewal area.

34 (2) Additions or improvements to existing structures.

35 (3) Remodeling of existing structures for which a building

1 permit is required.

2 (4) Net boundary adjustment.

3 (5) A municipality no longer dividing tax revenues in
4 an urban renewal area as provided in section 403.19, to the
5 extent that the incremental valuation released is due to new
6 construction or revaluation on property newly constructed,
7 additions or improvements to existing property, net boundary
8 adjustment, or expiration of tax abatements, all occurring
9 after the division of revenue begins.

10 (6) That portion of taxable property located in an urban
11 revitalization area on which an exemption was allowed and such
12 exemption has expired.

13 3. a. For the fiscal year beginning July 1, 2012, and
14 subsequent fiscal years, the maximum amount of property
15 tax dollars which may be certified for levy by a city for
16 the general fund shall be the maximum property tax dollars
17 calculated under paragraph "b".

18 b. The maximum property tax dollars that may be levied for
19 deposit in the general fund is an amount equal to the sum of the
20 following:

21 (1) The annual growth factor times the current fiscal year's
22 maximum property tax dollars for the general fund.

23 (2) The amount of net new valuation taxes in the city.

24 4. For purposes of calculating maximum property tax dollars
25 for the city general fund for the fiscal year beginning July
26 1, 2012, only, the term "*current fiscal year's maximum property*
27 *tax dollars*" shall mean the total amount of property tax dollars
28 certified by the city for the city's general fund for the
29 fiscal year beginning July 1, 2011.

30 5. Property taxes certified for deposit in the debt service
31 fund in section 384.4, trust and agency funds in section
32 384.6, capital improvements reserve fund in section 384.7,
33 the emergency fund in section 384.8, any capital projects
34 fund established by the city for deposit of bond, loan, or
35 note proceeds, any temporary increase approved pursuant to

1 section 384.12A, property taxes collected from a voted levy in
2 section 384.12, and property taxes levied under section 384.12,
3 subsection 18, are not counted against the maximum amount of
4 property tax dollars that may be certified for a fiscal year
5 under subsection 3.

6 6. Notwithstanding the maximum amount of taxes a city
7 may certify for levy, the tax levied by a city on tracts of
8 land and improvements on the tracts of land used and assessed
9 for agricultural or horticultural purposes shall not exceed
10 three dollars and three-eighths cents per thousand dollars
11 of assessed value in any year. Improvements located on such
12 tracts of land and not used for agricultural or horticultural
13 purposes and all residential dwellings are subject to the same
14 rate of tax levied by the city on all other taxable property
15 within the city.

16 7. The department of management, in consultation with the
17 city finance committee, shall adopt rules to administer this
18 section. The department shall prescribe forms to be used by
19 cities when making calculations required by this section.

20 Sec. 23. NEW SECTION. 384.1B Ending fund balance.

21 1. a. Budgeted ending fund balances on a cash basis for
22 a budget year in excess of twenty-five percent of budgeted
23 expenditures for that budget year shall be explicitly reserved
24 or designated for a specific purpose and specifically described
25 in the certified budget. The description shall include the
26 projected date that the expenditures will be appropriated for
27 the specific purpose.

28 b. A city is encouraged, but not required, to reduce
29 budgeted, unreserved, or undesignated ending fund balances for
30 the budget year to an amount equal to approximately twenty-five
31 percent of budgeted expenditures in the general fund for that
32 budget year unless a decision is certified by the state appeal
33 board ordering a reduction in the ending fund balance of the
34 fund.

35 c. In a protest to the city budget under section 384.19,

1 the city shall have the burden of proving that the budgeted
2 balances in excess of twenty-five percent are reasonably likely
3 to be appropriated for the explicitly reserved or designated
4 specific purpose by the date identified in the certified
5 budget. The excess budgeted balance for the specific purpose
6 shall be considered an increase in an item in the budget for
7 purposes of section 24.28.

8 2. *a.* For a city that has, as of June 30, 2011, reduced
9 its ending fund balance to less than twenty-five percent of
10 actual expenditures on a cash basis, additional property taxes
11 may be computed and levied as provided in this subsection.
12 The additional property tax levy amount is an amount not to
13 exceed the difference between twenty-five percent of actual
14 expenditures for city government purposes for the fiscal year
15 beginning July 1, 2010, minus the ending fund balance for that
16 year.

17 *b.* All or a portion of additional property tax dollars
18 may be levied for the purpose of increasing cash reserves for
19 city government purposes in the budget year. The additional
20 property tax dollars authorized under this subsection but not
21 levied may be carried forward as unused ending fund balance
22 taxing authority until and for the fiscal year beginning
23 July 1, 2017. The amount carried forward shall not exceed
24 twenty-five percent of the maximum amount of property tax
25 dollars available in the current fiscal year. Additionally,
26 property taxes that are levied as unused ending fund balance
27 taxing authority under this subsection may be the subject of a
28 protest under section 384.19, and the amount will be considered
29 an increase in an item in the budget for purposes of section
30 24.28. The amount of additional property tax dollars levied
31 under this subsection shall not be included in the computation
32 of the maximum amount of property tax dollars which may be
33 certified and levied under section 384.1.

34 Sec. 24. Section 384.12, subsection 20, Code 2011, is
35 amended by striking the subsection.

1 Sec. 25. NEW SECTION. 384.12A Authority to levy beyond
2 maximum property tax dollars.

3 1. The city council may certify additions to the maximum
4 amount of property tax dollars to be levied for a period of
5 time not to exceed two years if the proposition has been
6 submitted at a special election and received a favorable
7 majority of the votes cast on the proposition.

8 2. The special election is subject to the following:

9 a. The city council must give at least thirty-two days'
10 notice to the county commissioner of elections that the special
11 election is to be held.

12 b. The special election shall be conducted by the county
13 commissioner of elections in accordance with law.

14 c. The proposition to be submitted shall be substantially
15 in the following form:

16 Vote "yes" or "no" on the following: Shall the city of
17 _____ levy for an additional \$_____ each year for ____ years
18 beginning next July 1, ____, in excess of the statutory limits
19 otherwise applicable for the city general fund?

20 d. The canvass shall be held beginning at 1:00 p.m. on
21 the second day which is not a holiday following the special
22 election.

23 e. Notice of the special election shall be published at
24 least once in a newspaper as specified in section 362.3 prior
25 to the date of the special election. The notice shall appear
26 as early as practicable after the city council has voted to
27 submit a proposition to the voters to levy additional property
28 tax dollars.

29 3. The amount of additional property tax dollars certified
30 under this section shall not be included in the computation
31 of the maximum amount of property tax dollars which may be
32 certified and levied under section 384.1.

33 Sec. 26. Section 384.19, Code 2011, is amended by adding the
34 following new unnumbered paragraph:

35 NEW UNNUMBERED PARAGRAPH. For purposes of a tax protest

1 filed under this section, "*item*" means a budgeted expenditure,
2 appropriation, or cash reserve from a fund for a service area,
3 program, program element, or purpose.

4 Sec. 27. Section 386.8, Code 2011, is amended to read as
5 follows:

6 **386.8 Operation tax.**

7 A city may establish a self-supported improvement district
8 operation fund, and may certify taxes not to exceed the
9 rate limitation as established in the ordinance creating the
10 district, or any amendment thereto, each year to be levied
11 for the fund against all of the property in the district,
12 for the purpose of paying the administrative expenses of
13 the district, which may include but are not limited to
14 administrative personnel salaries, a separate administrative
15 office, planning costs including consultation fees, engineering
16 fees, architectural fees, and legal fees and all other expenses
17 reasonably associated with the administration of the district
18 and the fulfilling of the purposes of the district. The taxes
19 levied for this fund may also be used for the purpose of paying
20 maintenance expenses of improvements or self-liquidating
21 improvements for a specified length of time with one or more
22 options to renew if such is clearly stated in the petition
23 which requests the council to authorize construction of the
24 improvement or self-liquidating improvement, whether or not
25 such petition is combined with the petition requesting creation
26 of a district. Parcels of property which are assessed as
27 residential property for property tax purposes are exempt from
28 the tax levied under this section except residential properties
29 within a duly designated historic district. A tax levied under
30 this section is not subject to the ~~levy~~ limitation in section
31 384.1.

32 Sec. 28. Section 386.9, Code 2011, is amended to read as
33 follows:

34 **386.9 Capital improvement tax.**

35 A city may establish a capital improvement fund for a

1 district and may certify taxes, not to exceed the rate
 2 established by the ordinance creating the district, or any
 3 subsequent amendment thereto, each year to be levied for
 4 the fund against all of the property in the district, for
 5 the purpose of accumulating moneys for the financing or
 6 payment of a part or all of the costs of any improvement or
 7 self-liquidating improvement. However, parcels of property
 8 which are assessed as residential property for property tax
 9 purposes are exempt from the tax levied under this section
 10 except residential properties within a duly designated historic
 11 district. A tax levied under this section is not subject to
 12 the levy limitations in section 384.1 or 384.7.

13 Sec. 29. REPEAL. Sections 331.425 and 331.426, Code 2011,
 14 are repealed.

15 Sec. 30. APPLICABILITY. This division of this Act applies
 16 to fiscal years beginning on or after July 1, 2012.

17 EXPLANATION

18 This bill makes changes to state and local government
 19 finances by making changes to property taxation, school
 20 financing, and county and city budgets.

21 Division I of the bill provides for an increase in the
 22 regular program foundation base under the state school
 23 foundation program. The foundation base is the specified
 24 percentage of the state cost per pupil calculation which is
 25 paid as state aid to school districts, above and beyond the
 26 uniform property tax levy imposed in Code section 257.3.
 27 Beginning with the budget year commencing July 1, 2012, the
 28 increase is phased in over a seven-year period in equal annual
 29 increments, from the current foundation base level of 87.5
 30 percent to the level of 100 percent in the eighth year.

31 Division II of the bill changes the property tax assessment
 32 limitation percentage for residential property and agricultural
 33 property from 4 percent to 2 percent for assessment years
 34 beginning on or after January 1, 2012.

35 Division II of the bill strikes the methodology in Code

1 section 441.21(5) currently used to determine the percentage
2 of actual value at which commercial property and industrial
3 property are assessed for property tax purposes. The bill
4 provides that for valuations established for the assessment
5 year beginning January 1, 2012, the percentage of actual value
6 at which commercial property and industrial property shall
7 be assessed shall be 92 percent. The bill provides that
8 for each assessment year thereafter the percentage at which
9 commercial property and industrial property are assessed is
10 reduced by 8 percentage points each year until the percentage
11 is 60 percent. The bill provides that for the assessment year
12 beginning January 1, 2016, and each assessment year thereafter,
13 commercial property and industrial property are assessed at 60
14 percent. Under the bill, commercial property and industrial
15 property remain separate classifications of property.

16 Division II of the bill specifies that it is the intent of
17 the general assembly that appropriations be made annually in
18 fiscal years beginning on or after July 1, 2013, to reimburse
19 local taxing authorities for reductions in property tax
20 collections on commercial and industrial property as a result
21 of the assessment limitations on such property established
22 in the bill. The bill specifies the amounts of the intended
23 appropriations. The bill also requires the committees on ways
24 and means for the senate and the house of representatives to
25 conduct an annual review of the implementation and fiscal
26 impact of the commercial and industrial property assessment
27 limitation established under the bill on local taxing
28 authorities in the state.

29 Division II of the bill also makes corresponding changes to
30 other provisions of Code section 441.21, including removing
31 the commercial property and industrial property valuation
32 limitations from the methodology used to determine the
33 percentage at which property valued by the department of
34 revenue pursuant to Code chapter 434 (railway companies) is
35 assessed.

1 Division II of the bill applies to property tax assessment
2 years beginning on or after January 1, 2012. The bill,
3 pursuant to Code section 4.13, does not affect the application
4 of prior provisions of Code section 441.21 to assessment years
5 beginning before January 1, 2012.

6 Division III of the bill removes the property tax levy rate
7 limitations on the general and rural funds for counties and on
8 the general fund for cities and substitutes a limitation on the
9 maximum amount of property tax dollars that may be certified
10 for expenditure by a county or city for budget years beginning
11 on or after July 1, 2012. For the budget year beginning July
12 1, 2012, and subsequent budget years, the maximum amount of
13 property tax dollars which may be certified for levy shall be
14 an amount equal to the sum of the current fiscal year's total
15 property tax dollars certified by the county multiplied by the
16 annual growth factor, as defined in the bill, and the amount of
17 net new valuation taxes, as defined in the bill.

18 Division III also allows counties and cities to certify
19 additions to the maximum amount of property tax dollars to be
20 levied for a period of time not to exceed two years if the
21 proposition has been approved at a special election. The bill
22 specifies the notice and election requirements for such a
23 proposition. The bill specifies that such amounts approved at
24 special election are not to be included in the computation of
25 the maximum amount of property tax dollars for future budget
26 years.

27 Division III of the bill specifies certain requirements
28 for ending fund balances for counties and cities. The bill
29 provides that budgeted ending fund balances for a budget
30 year in excess of 25 percent of budgeted expenditures
31 shall be explicitly reserved or designated for a specific
32 purpose and specifically described in the certified budget.
33 The description must include the projected date that the
34 expenditures will be appropriated for the specific purpose.

35 Under the bill, counties and cities are encouraged, but

1 not required, to reduce budgeted, unreserved, or undesignated
2 ending fund balances for the budget year to an amount equal
3 to approximately 25 percent of budgeted expenditures for that
4 budget year unless a decision is certified by the state appeal
5 board ordering a reduction in the ending fund balance of any of
6 those funds. The county or city, as applicable, has the burden
7 of proving that the budgeted balances in excess of 25 percent
8 are reasonably likely to be appropriated for the explicitly
9 reserved or designated specific purpose by the date identified
10 in the certified budget.

11 Division III of the bill also allows for additional property
12 taxes to be levied in certain fiscal years for those counties
13 or cities that have, as of June 30, 2011, reduced their
14 actual ending fund balance to less than 25 percent of actual
15 expenditures. Such additional property tax dollars authorized
16 but not levied may be carried forward as unused ending
17 fund balance taxing authority until and for the fiscal year
18 beginning July 1, 2017. However, the amount carried forward
19 shall not exceed 25 percent of the maximum amount of property
20 tax dollars available in the current fiscal year. The amount
21 of such additional property taxes levied shall not, however, be
22 included in the computation of the maximum amount of property
23 tax dollars which may be certified and levied in future budget
24 years.

25 Division III also makes conforming amendments to other
26 provisions of the Code.

27 Division III applies to fiscal years beginning on or after
28 July 1, 2012.